



TEXAS WINDSTORM  
INSURANCE ASSOCIATION

# Texas Windstorm Insurance Association

## House Insurance Committee

### Request for Information

### House Bill 1900 Interim Charges

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# Texas Windstorm Insurance Association Interim Charges

## House Bill 1900 Implementation Status

The 86th Legislature, Regular Session passed two major bills impacting TWIA's operations—Senate Bill 615 (TWIA's Sunset Bill) and House Bill 1900. TWIA launched an enterprise-wide program to ensure that all aspects of the new laws are implemented on or before their respective statutory deadlines.

The following information describes the key provisions of House Bill 1900 and the Association's actions and progress in implementing them.

### Underwriting and Policy Administration

#### Insurance to Value Determination

**Effective Date: January 1, 2020**

Determination of replacement cost value at the time of policy issuance.

- TWIA's new policy contracts reflecting this change have been approved by TDI and went into use on January 1, 2020.

#### Certificates of Compliance for Completed Improvements

**Effective Date: June 1, 2020**

Transfer of the WPI-8-C process to TDI with additional modifications designed to strengthen oversight over the process.

- TDI has assumed responsibility for the issuance of Certificates of Compliance for completed improvements as of June 1, 2020.

### Claims Handling and Deadlines

#### Claim Deadline Extensions

**Effective Date: September 1, 2019**

Authorization for the Insurance Commissioner to extend TWIA policyholder claim-handling deadlines at his discretion and extend the claim-handling deadlines applicable to TWIA to a maximum of 120 days.

- While the Commissioner has not yet had a need to extend claim-handling deadlines under this provision, the Association is fully prepared should the Commissioner do so in the future.

#### Replacement Cost Coverage Claims

**Effective Date: January 1, 2020**

Modifications to deadlines and processes related to the payment of replacement cost coverage claims.

- TWIA's claim notices include language as required to comply with this provision and policy forms are updated to reflect the law changes.

### Transparency

#### Rate Adequacy Analysis

**Effective Date: June 10, 2019**

New requirement to make Association rate adequacy analyses, with specific format requirements, publicly available on TWIA.org at least 14 days before a vote of the board on a proposed rate filing. Also requires TWIA to accept public comment prior to the TWIA Board's vote on a proposed rate filing.

- TWIA posted its 2019 and 2020 rate adequacy analyses by the required deadlines ahead of the August Board meetings at which the required annual rate filings were considered. Public comments on the Association's rate adequacy analyses have been accepted in writing and in person at all applicable meetings of the Board of Directors since the law passed.



## Funding

### **Emergency Board Meeting for Planned Member Company Assessment      Effective Date: June 10, 2019**

New requirement to call an emergency meeting of the TWIA Board for the purpose of notifying member companies of the need for an assessment to pay storm losses.

- TWIA announced a third potential member insurer assessment at its August 2019 meeting and the Board of Directors approved submitting a request to the Commissioner of Insurance for a \$90 million member insurer assessment for losses from Hurricane Harvey at its December 2019 meeting.

### **Member Company Purchase of Reinsurance**

**Effective Date: June 10, 2019**

New requirement that TWIA assess member companies for any purchase of reinsurance above the 1-in-100-year funding requirement.

- The TWIA Board purchased reinsurance equal to the 1-in-100 probable maximum loss for the 2020 hurricane season, therefore no member assessment was necessary.

### **Use of Premiums**

**Effective Date: June 10, 2019**

New requirement clarifying TWIA's use of premiums and reserves for the payment of storm losses.

- Since this provision went into effect, the Texas coast has not experienced a storm requiring any expenditures on claims beyond that which TWIA can cover with current-year premiums.

## Legislative Oversight Boards

### **Funding Study**

**Due: November 15, 2020**

Creates the Legislative Funding and Funding Structure Oversight Board to submit a report by November 15, 2020.

- TWIA is prepared to assist the Legislative Oversight Board in its deliberations and has worked with the Legislative & External Affairs Committee of the TWIA Board of Directors to include information on the Association's funding and possible funding solutions for consideration by the Legislature in its 2020 Biennial Report.

### **Merger Study**

**Due: January 1, 2021**

Requires the Windstorm Legislative Oversight Board to evaluate a merger of TWIA and TFPA and submit a report by January 1, 2020.

- TWIA is prepared to assist the Legislative Oversight Board in its deliberations.

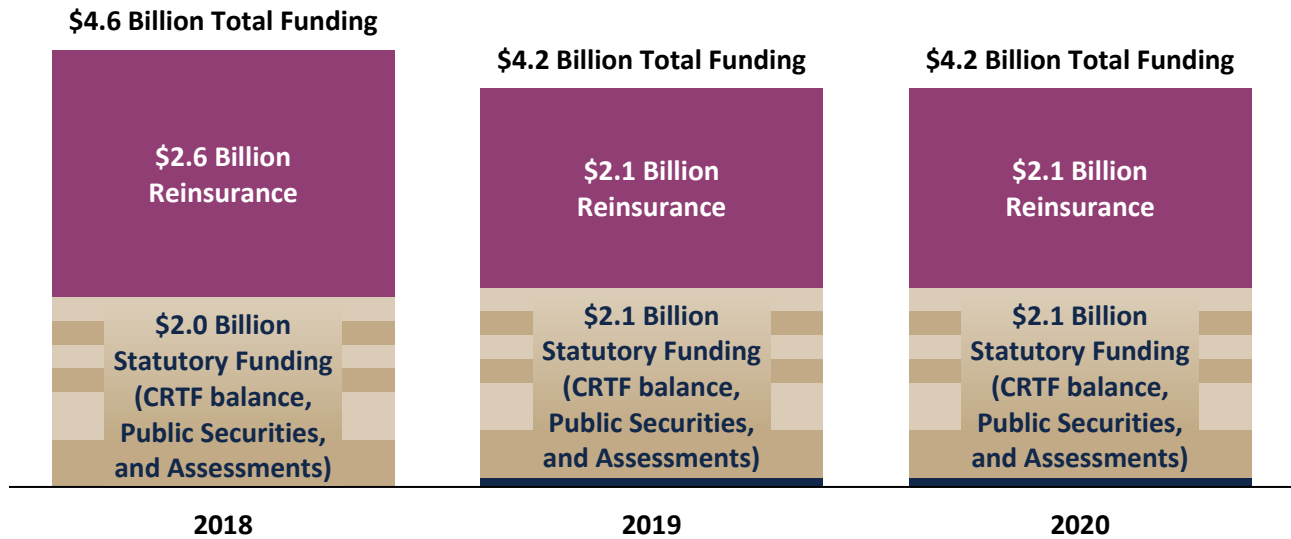
## Texas Department of Insurance Rulemaking and Plan of Operation Updates

Senate Bill 615 authorizes TWIA to propose to the Texas Department of Insurance rules (TDI) that govern TWIA's core operations and requires TDI to begin its review process within 30 days. To date, TWIA has not proposed any rules to TDI. TWIA's Plan of Operation is in [Texas Administrative Code](#), Title 28, Chapter 5, Subchapter E. TWIA and TDI are developing plans to review previously filed revisions to the Plan of Operation and additional revisions necessitated by legislation enacted by the 86<sup>th</sup> Texas Legislature.



## 2020 Hurricane Season Funding and Purchase of Reinsurance

TWIA has secured a total of \$4.2 billion in funding for the 2020 hurricane season. This is equal to the minimum funding level required by Texas Insurance Code, Section 2210.453. No reinsurance was purchased in excess of the minimum required funding level. The total reinsurance in place for 2020 is \$2.1 billion, which is unchanged from 2019 and less than 2018 as shown in the funding comparison below:



TWIA filed for a 0% change in its annual rate filings in both 2019 and 2020.

## 2020 Hurricane Season Response

TWIA's preparation for the 2020 hurricane season has been shaped by the COVID-19 pandemic.

- Recognizing the impact of the pandemic on our coastal communities, we introduced social distancing and safety protocols to our claim handling process, which included issuing guidelines field adjusters must follow to ensure the safety of policyholders and themselves during claims inspections.
- The Association is also offering no-contact and low-contact options for claim processing using existing technology, including allowing policyholders to virtually document internal damage to their property without the need for an adjuster to enter the home.

So far during the 2020 hurricane season, TWIA has responded to two storm events—Hurricanes Hanna and Laura. Neither was as significant as Hurricane Harvey in terms of claim volume or expense.

### Hurricane Hanna Update

- TWIA's CAT Plan was activated and TWIA ceased issuing new business and increased coverage requests the morning of Saturday, July 25 in response to Hurricane Hanna.
- The storm made landfall in an area 15 miles north of Port Mansfield.
- The policy moratorium was subsequently lifted the morning of Sunday, July 26 as it no longer posed a threat to property in TWIA's coverage area.
- Based on the storm's intensity and track, claim volume has been minimal. As of August 31, 2020, TWIA has received 1,358 claims from the storm and made \$3.9 million in claim payments.
- The initial estimate of ultimate loss for the storm is \$18 million. This estimate is based on the windspeeds reported for the storm in the coverage area, TWIA's policies in force in the impacted areas, and initial ground reporting and field adjuster reports. The estimate is subject to significant variability as we receive more claim information.

### Hurricane Hanna Claim Information<sup>1</sup>

|   | TWIA Total  | Commercial | Residential | Mobile Home | No Policy & Unverified |
|---|-------------|------------|-------------|-------------|------------------------|
| <b>New Claims</b>                           | 1,358       | 112        | 1,188       | 4           | 54                     |
| <b>Closed Claims</b>                        | 467         | 38         | 373         | 2           | 54                     |
| <b>% Closed Claims</b>                      | 34.4%       | 33.9%      | 31.4%       | 50.0%       | 100.0%                 |
| <b>Paid to Policyholders</b>                | \$3,933,964 | \$392,486  | \$3,530,660 | \$10,817    | –                      |
| <b>Avg. # Days: FNOL<sup>2</sup> to Pay</b> | 11.9        | 21.8       | 11.3        | 14.1        | –                      |
| <b>TDI Complaints</b>                       | 1           |            |             |             |                        |
| <b>Complaint Ratio</b>                      | 0.074%      |            |             |             |                        |

<sup>1</sup> As of September 1, 2020

<sup>2</sup> FNOL - First Notice of Loss

## Hurricane Hanna Claims by County

| County       | New Claims   | Closed Claims | Paid to Policyholders | Average Paid   |
|--------------|--------------|---------------|-----------------------|----------------|
| Aransas      | 19           | 10            | \$89                  | \$89           |
| Brazoria     | 32           | 17            | \$38,179              | \$3,182        |
| Calhoun      | 5            | 3             | \$2,808               | \$1,404        |
| Cameron      | 390          | 102           | \$1,017,357           | \$5,244        |
| Chambers     | 1            | 1             | –                     | –              |
| Galveston    | 22           | 10            | \$15,630              | \$2,605        |
| Harris       | 2            | 1             | \$4,395               | \$4,395        |
| Jefferson    | 3            | 1             | \$3,913               | \$3,913        |
| Kenedy       | 8            | 1             | \$122,860             | \$24,572       |
| Kleburg      | 49           | 10            | \$282,494             | \$8,071        |
| Matagorda    | 7            | 3             | \$14,568              | \$4,856        |
| Nueces       | 562          | 225           | \$891,364             | \$5,036        |
| Refugio      | 1            | 0             | –                     | –              |
| San Patricio | 36           | 12            | \$67,981              | \$6,798        |
| Willacy      | 167          | 17            | \$1,472,324           | \$10,084       |
| No Policy    | 54           | 54            | –                     | –              |
| <b>Total</b> | <b>1,358</b> | <b>467</b>    | <b>\$3,933,964</b>    | <b>\$6,634</b> |

## Hurricane Laura Update

- TWIA activated our CAT Plan in response to the developing Tropical Depression 14 (future Hurricane Marco) and Tropical Storm Laura on Friday, August 21.
- TWIA ceased issuing new business and increased coverage requests in response to Hurricane Marco's development on Sunday, August 23 and continued once Laura was upgraded to a Hurricane on Tuesday, August 25.
- While Hurricane Marco quickly lost strength before reaching the Texas coast, Hurricane Laura ultimately strengthened to a Category 4 hurricane before making landfall near the border of Texas and Louisiana.
- The Association had been preparing for a significant claim generating event along the lines of 25,000-30,000 claims based on the projected storm path and policy counts, however, the storm's track ultimately shifted eastward toward Louisiana in the early hours of Thursday, August 27, largely sparing TWIA's coverage area.
- The policy moratorium for Hurricane Laura remained in effect until 12:01 a.m. on Saturday, August 29 when it was determined the storm no longer posed a threat to property in the Association's coverage area.
- As of September 7, 2020, TWIA has received 3,210 claims from the storm and made \$1.19 million in claim payments. The vast majority of claims are from Jefferson County.



- The Association has not yet developed an estimate of ultimate loss and loss adjustment expense for Hurricane Laura, as we await the receipt of more complete claim reports.

### Hurricane Laura Claim Information<sup>3</sup>

|                                       | TWIA Total  | Commercial | Residential | Mobile Home | No Policy & Unverified |
|---------------------------------------|-------------|------------|-------------|-------------|------------------------|
| New Claims                            | 3,210       | 54         | 3,154       | 2           | 0                      |
| Closed Claims                         | 64          | 0          | 64          | 0           | 0                      |
| % Closed Claims                       | 2.0%        | –          | 2.0%        | –           | –                      |
| Paid to Policyholders                 | \$1,189,401 | –          | \$1,189,401 | –           | –                      |
| Avg. # Days: FNOL <sup>4</sup> to Pay | 7.5         | –          | 7.5         | –           | –                      |
| TDI Complaints                        | 0           |            |             |             |                        |
| Complaint Ratio                       | 0.000%      |            |             |             |                        |

### Hurricane Laura Claims by County

| County       | New Claims | Closed Claims | Paid to Policyholders | Average Paid |
|--------------|------------|---------------|-----------------------|--------------|
| Aransas      | –          | –             | –                     | –            |
| Brazoria     | 2          | 1             | –                     | –            |
| Calhoun      | –          | –             | –                     | –            |
| Cameron      | 5          | 0             | –                     | –            |
| Chambers     | 3          | 1             | –                     | –            |
| Galveston    | 21         | 5             | –                     | –            |
| Harris       | –          | –             | –                     | –            |
| Jefferson    | 3,178      | 57            | \$1,189,401           | \$5,456      |
| Kenedy       | –          | –             | –                     | –            |
| Kleburg      | –          | –             | –                     | –            |
| Matagorda    | –          | –             | –                     | –            |
| Nueces       | 1          | 0             | –                     | –            |
| Refugio      | –          | –             | –                     | –            |
| San Patricio | –          | –             | –                     | –            |
| Willacy      | –          | –             | –                     | –            |
| No Policy    | –          | –             | –                     | –            |
| Total        | 3,210      | 64            | \$1,189,401           | \$5,456      |

<sup>3</sup> As of September 7, 2020